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Table of contents

| | |
|---|---|
| 1. As Young Hispanics Defect, Univision Polishes Its English..... | 1 |
| Bibliography..... | 5 |

As Young Hispanics Defect, Univision Polishes Its English

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Abstract: When it comes to attracting Spanish speakers, the Univision Network has long had a market share that English-language television networks can only dream about: 58% of the prime-time audience. Competition has grown in Spanish-language broadcasting, where the players also include Comcast Corp.'s Telemundo and Mundo Fox, a joint venture of 21st Century Fox and Colombia's RCN Television SA. (Until June, The Wall Street Journal was owned by the same company as 21st Century Fox.) The rise of online video, meanwhile, threatens to further fracture the Hispanic TV audience among so-called Millennials, which Univision defines as viewers 18 to 34.

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Full text: When it comes to attracting Spanish speakers, the Univision Network has long had a market share that English-language television networks can only dream about: 58% of the prime-time audience. Unfortunately, it is an aging audience.

Univision has been losing viewers under 35 years old for several years, according to Nielsen. One reason: More Hispanics in the U.S. today are native-born, not immigrants, meaning they mostly speak English and are part of the youth-oriented digital culture that is eroding the traditional TV audience overall.

Hoping to combat the trend, Univision's parent company, Univision Communications, and Walt Disney Co.'s ABC News are launching a new English-language cable news and entertainment channel called Fusion on Monday night at 7 p.m. Eastern time. The channel is aimed at young English-speaking Hispanics.

"If you want to reach the next generation, how can you not do something in English, when you know the second- and third-generation Hispanics have English as their main language?" said Isaac Lee, president of Univision News and chief executive of Fusion.

For ABC, the effort reflects a push for more exposure to the fast-growing Hispanic market. Hispanics are expected to account for 30% of the U.S. population by 2050, up from 17% today, according to the Pew Research Center.

But in the near term, Fusion's success may be more important to Univision. The private-equity firms that have owned it since 2007 are considering an initial public offering, with a tentative time frame of the first quarter of 2015, according to people familiar with the matter.

For those investors to come out ahead on the \$13.7 billion they paid for the broadcaster in the boom days before the 2008 financial crisis, Univision must show that it can continue to grow faster than its peers for the foreseeable future.

Fusion is in part a response to the demographic challenges that may cloud Univision's longer-term growth prospects. While the average age of the flagship network's viewer remains more than a decade younger than top English-language networks, it has risen two years since 2008 to 38, according to Nielsen.

Univision's ratings over the past 18 months highlight the emerging demographic threat. Last season, Univision was the only top-five broadcast network to gain viewers in the 18- to 49-year-old age group that advertisers covet. And this summer, it made history by winning the July "sweeps" ratings period in that demographic in prime time.

For the first four weeks of this season, however, the reverse has happened. Univision's prime-time ratings are down 13% with the 18 to 49 group, a worse performance than any of the English-language networks. Its rating with the key demographic are down just 2% so far this year, which the company says is a fairer comparison.

"Audiences are fragmenting in both English language and Spanish language," said Randy Falco, the CEO of Univision Communications.

Competition has grown in Spanish-language broadcasting, where the players also include Comcast Corp.'s Telemundo and Mundo Fox, a joint venture of 21st Century Fox and Colombia's RCN Television SA. (Until June, The Wall Street Journal was owned by the same company as 21st Century Fox.)

The rise of online video, meanwhile, threatens to further fracture the Hispanic TV audience among so-called Millennials, which Univision defines as viewers 18 to 34. Hispanics ages 25 to 34 watch more online video and less traditional TV on average than their non-Hispanic peers, according to Nielsen.

Univision has started a flurry of new ventures aimed at English-speaking Hispanic Millennials, from the launch this autumn of online-video network Flama to its investment in director Robert Rodriguez's English-language cable network, El Rey, which is set to air later this year.

Fusion, which has a 200-person newsroom in Miami, is the most ambitious of these efforts. But it might not be a panacea.

Fusion will be available initially in just 20 million homes, about a fifth of the nation's pay-TV households. Its owners hope to triple the number to 60 million over the next few years.

And Fusion's target audience is broader than Hispanics. Univision's Mr. Lee emphasizes that Fusion will be aimed primarily at the digitally savvy generation of Millennials and secondarily at Hispanics.

"It's less of a demographic than a mind-set," said ABC News President Ben Sherwood.

With that in mind, Fusion will include comedy shows from former "Daily Show" executive producer David Javerbaum as well as an evening newscast from Univision anchor Jorge Ramos.

Univision's Mr. Falco sees Fusion as a part of a broader strategy to expand Univision's "shelf space," giving it more opportunity to attract advertising and subscription revenues from pay-TV operators. In the past 2 1/2 years, the broadcaster has launched nine new cable channels, bringing its total to 12, and an array of digital offerings.

Those launches helped Univision boost subscription revenue to more than \$500 million last year from around \$160 million in 2011, according to people familiar with the matter, helping swing the company to a profit. Its earnings before interest, taxes, depreciation and amortization, a benchmark popular with investors, have risen to \$1.1 billion in the 12 months through September from \$823.4 million in fiscal 2009.

"I would argue, just looking at the numbers, that they will continue to grow at a faster pace than some of their peers," said Avi Steiner, an analyst at J.P. Morgan Chase & Co.

That growth has persuaded some of Univision's owners, which include Madison Dearborn Partners LLC, Providence Equity Partners LLC, TPG, Thomas H. Lee Partners LP and Saban Capital Group, that the time is growing ripe for an IPO.

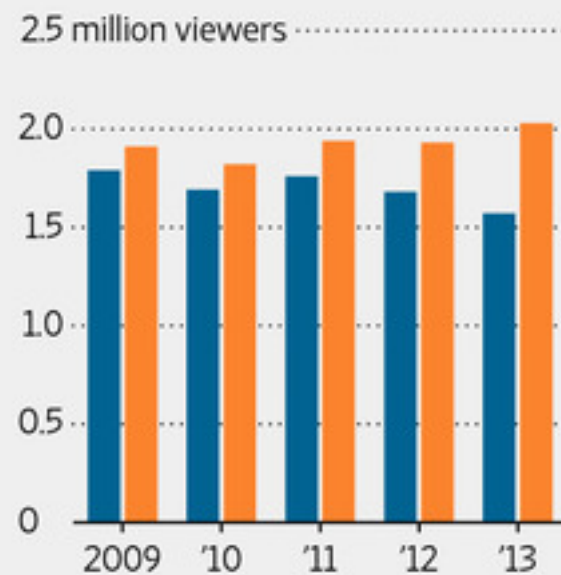
At its September meeting the board had its most serious discussions yet of an IPO in early 2015, said people familiar with the matter, though there wasn't a consensus on the timing.

Ryan Dezember and Telis Demos contributed to this article.

Changing Demographic

Univision primetime ratings for the year ending in the third week of September

■ Viewers under 35
■ Viewers 35 and over



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The Wall Street Journal

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